

ORIGINAL  
Transcript of Proceedings

BEFORE THE  
Federal Communications Commission

In the Matter of:

Docket No. 91-10

BALDWIN, FLORIDA

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## BEFORE THE

## FEDERAL COMMUNICATIONS COMMISSION

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In the Matter of: : VOLUME III  
BALDWIN, FLORIDA : Docket No. 91-10

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The above-entitled matter came on for  
conference pursuant to Notice before Edward Luton,  
Administrative Law Judge, at 2000 L Street N.W.,  
Washington, D.C., in Courtroom Number 4, on Wednesday,  
August 21, 1991, at 9:30 a.m.

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20            On Behalf of the Chief, Mass Media Bureau:

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## I N D E X

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| Anna Matthews      | 231    | 232   | 259      |         |
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1                                    P R O C E E D I N G S

2                                    (Time noted: 9:35 a.m.)

3                                    JUDGE LUTON: On the record.

4                                    Are there any other preliminary matters?

5                                    MR. WINSTON: Yes, Your Honor. It occurred  
6 to me when I distributing Northeast Florida Exhibit  
7 number 4 yesterday, I failed to give Your Honor one. I  
8 want to clear up that oversight.

9                                    JUDGE LUTON: Thank you.

10                                   MR. WINSTON: No other preliminary matters,  
11 Your Honor.

12                                   JUDGE LUTON: Beg your pardon?

13                                   MR. WINSTON: No other preliminary matters.

14                                   JUDGE LUTON: Anyone? All right. Then we'll  
15 continue the cross examination of Mr. Matthews by  
16 Northeast Broadcasting.  
17 Whereupon,

18                                   FREDERICK MATTHEWS  
19 the witness on the stand at the time of the recess,  
20 resumed the stand and, having previously been duly  
21 sworn, was examined and testified further as follows:

22                                   CROSS EXAMINATION

23                                   BY MR. WINSTON:

24                                   Q     Mr. Matthews, I believe, when we broke  
25 yesterday, we were --

1 JUDGE LUTON: Northeast Florida, I'm sorry.

2 BY MR. WINSTON:

3 Q -- talking about the black book, which you  
4 described as a business directory. It is published  
5 first time in September 1989. Has it been published  
6 again since September 1989?

7 A No, it has not.

8 Q Is the black book likely to be published  
9 again any time in the near future?

10 A We're anticipating doing it again next year,  
11 but we're right now just looking at the market and what  
12 we're going to do personally. It was --

13 Q And, The Outlet. Is there any plan to begin  
14 publishing The Outlet again?

15 A Yes, it will be.

16 Q When do you expect that to be?

17 A We expect that to begin again the first of  
18 the year.

19 Q The first of 1992?

20 A Yes.

21 Q And you said again, The Outlet ceased  
22 publication, when was that?

23 A I think early 1990.

24 Q Looking back to Peaches Exhibit 3, Page One,  
25 on the reference to closing down the broadcast

1 operations of Peaches Production, Inc., are there any  
2 other non-broadcast operations with Peaches' group we  
3 haven't discussed?

4 A No, none that I didn't mention yesterday.

5 Q Now, with respect to -- we discussed the non-  
6 broadcast operations. Does Peaches Productions, Inc.  
7 have a broadcast operation other than the proposed  
8 station?

9 A No. We produce a television program that was  
10 broadcast, but we acted as executive producers of the  
11 program and offered it to a television station. I  
12 don't know if that's classified as a broadcast  
13 operation or not, but I would classify it as probably  
14 non-broadcast. We offered it to them as broadcast.

15 Q Okay. Is that program still being produced  
16 by you?

17 A Yes.

18 Q It's still being currently produced by  
19 Peaches Productions, Inc.?

20 A Right.

21 Q Was it being produced by Peaches Productions,  
22 Inc. at the time you filed your application?

23 A No, it has been broadcast that year. I think  
24 the exhibit shows February 1989, it was broadcast  
25 during that period of time. It was produced in '88.

1 Q You referred to an exhibit.

2 A I think it's in my -- it's on Page Seven of  
3 Nine, Exhibit 3.

4 Q Okay, the top of the page?

5 A Yeah, the top of the page, about midway into  
6 the paragraph there.

7 Q Okay. So the program aired four times on  
8 WJXT-TV on February 1989.

9 Did it air again after February 1989?

10 A Yes, it did. I think it aired on the local  
11 cable channel.

12 Q Would this be reruns of programs already run?

13 A Just reruns of those four. Those are four  
14 separate programs that ran.

15 Q Do you recall when it ran on cable?

16 A I think the following month, in March.

17 Q So that would be March 1990?

18 A Yes. I don't know at this time whether we  
19 ran all four programs or not, or whether we just ran  
20 two or three. That was more or less a free run of the  
21 program to give it more exposure.

22 Q Now, did you say that there are plans to --  
23 the program is titled, The Rising Star.

24 Are there plans to produce other -- are they  
25 called episodes or programs of The Rising Star?



1           A     Current plans right now are to produce new  
2 episodes of it. The program's was designed primarily  
3 at that point for Black History Month, which falls in  
4 February. As you know, it requires a great deal of  
5 negotiating with stations to do that, schedules change  
6 and such. We're looking at this to be a specialty run.

7                     So our plans are to do that. We do have,  
8 from the tapings, shootings that we did in 1988 in  
9 preparation for this -- for the 1989 run -- we have  
10 some clips we want to use for there. They're going to  
11 be new episodes that we'll be creating with that.

12                    So the plans are right now to add additional  
13 episodes and we're discussing with the same station,  
14 hopefully, to get it back on, but it's a question of  
15 time zones and their schedule versus ours and other  
16 arrangements.

17           Q     That's WJXT-TV again?

18           A     Yes.

19           Q     When -- do you have a time table when you  
20 expect to get back on the air with The Rising Star?

21           A     Well, we're shooting for again, February.  
22 It's a specialty program. We're shooting again for  
23 February of 1992 at this point.

24           Q     And would you also run it on the Sunshine  
25 Cable network again?

1           A     No.

2           Q     The reference in your exhibit which says --  
3     that paragraph we were just looking at, after it  
4     mentioned WJXT-TV, it says, and is scheduled to be on  
5     the Sunshine Cable network. That suggests that it is  
6     being planned for it?

7           A     At that time it was scheduled to be on  
8     Sunshine Cable network. Our negotiations did not work  
9     out with them as to time and place.

10          Q     When you say at that time, what time are you  
11     referring to?

12          A     This was during the period of time -- the  
13     Sunshine Cable network discussions were for much longer  
14     term operation than were to be aired on local channel  
15     WJXT. Sunshine Cable network is a state-wide network  
16     in Florida that runs sports and public affairs. Ours  
17     would have been the first --

18          Q     Excuse me. Let me -- I don't mean to  
19     interrupt you, but I want to keep you on focus on the  
20     question.

21                 Your exhibit was signed on July 17th, 1991.  
22     My question is was this statement accurate as of that  
23     time, where it says it was scheduled to be on Sunshine  
24     Cable network?

25          A     I would have to say that's probably an

1 oversight.

2 Q Meaning that it had already been decided that  
3 it wouldn't be on Sunshine Cable network?

4 A Not by them, but by us. In other words, they  
5 had scheduled the program --

6 Q I'm just trying to find out the time table,  
7 sir.

8 A I understand that.

9 Q So as of July 17th, 1991, that statement was  
10 not correct? You were not planning to put it on  
11 Sunshine Cable network at that time?

12 A No, I was not.

13 Q Okay. To the best of your recollection, what  
14 time frame was this intended to refer to?

15 A It was intended to refer to the previous --  
16 we're in 1991 now, so it was intended to refer to the  
17 period of time which we were doing all of the  
18 activities, so from 1989 through 1990.

19 Q Okay. So, you said it ran on Sunshine Cable  
20 network in approximately March of 1990?

21 A No, it did not run on Sunshine Cable. That  
22 was another cable network. That was a local cable  
23 channel.

24 Q All right. Sunshine Cable network is what, a  
25 national network?

1           A     It's a state-wide network.

2           Q     Okay. Other than the proposed station and  
3 your Rising Star television program, does Peaches  
4 Productions Inc. have any other broadcast operations?

5           A     No.

6           Q     Mr. Matthews, do you have any children?

7           A     Yes.

8           Q     How many?

9           A     I have two, I have three.

10          Q     That live with you and your wife?

11          A     No, we have two that live with my wife and I  
12 and I have three by a previous marriage.

13          Q     What are their ages?

14          A     All together?

15          Q     The two that live with you?

16          A     Twelve and seventeen.

17          Q     Would it be accurate to state that Ms.  
18 Matthews is primarily responsible for the care of your  
19 minor children?

20               MR. HONIG: Objection. This has nothing to  
21 do with the comparative issue.

22               JUDGE LUTON: Overruled.

23               THE WITNESS: Primarily, no. We share  
24 responsibility. For the ones that stay with us?

25               BY MR. WINSTON:

1 Q Yes?

2 A No, we share the responsibility.

3 Q It's 50-50 responsibility?

4 A That's right.

5 Q And when I say responsibility, I'm thinking  
6 in terms of time commitment, as opposed to emotional  
7 commitment.

8 A No.

9 Q It's not 50-50 responsibility in terms of  
10 time commitment?

11 A It's 50-50 like everything else in the  
12 marriage. The responsibilities get intertwined. I  
13 have to take them to school if she can't take them to  
14 school. I have to provide money if she doesn't do it.  
15 If I forget, she does it. So there's no -- and we're  
16 not talking about children, in our case, we're talking  
17 about half grown young men. It is very much a shared  
18 responsibility.

19 Q Your statement is though, that's it a 50-50  
20 shared responsibility time-wise?

21 A If I were to put a percentage to it, yes.

22 Q Mr. Matthews, you've testified that you and  
23 Ms. Matthews made capital contributions to Peaches  
24 Broadcast Limited on behalf of Peaches Productions,  
25 Inc. Is that correct?

1           A     That's correct.

2           Q     As of this date, what is the total amount of  
3     those capital contributions?

4           A     It is in excess of the \$2,000, but we made  
5     our \$2,000 commitment.

6           Q     What was the total amount of capital  
7     contribution that Mr. Wiseman made to Peaches Broadcast  
8     Limited during the time he was a limited partner?

9           A     Fifteen thousand dollars.

10          Q     UCI has made both capital contributions and a  
11     loan to Peaches Broadcasting Limited, is that correct?

12          A     That's correct.

13          Q     What is the amount of capital contributions  
14     UCI has made?

15          A     Fifteen thousand dollars.

16          Q     And what is the amount of loans that UCI has  
17     made?

18          A     Approximately \$25,000. I couldn't be exact  
19     at this point. I haven't looked at the figure  
20     recently, but it's approximately \$25,000. Maybe a  
21     little less than that, I hadn't thought to research  
22     that before I came. I'm estimating it's in that range.

23          Q     To the best of your recollection it's  
24     \$25,000?

25          A     That's right.

1           Q     Mr. Matthews, has a cost estimate been  
2 compared for the cost and construction of Peaches  
3 Broadcast Limited's proposed station?

4           A     A cost estimate --

5           Q     For the cost of construction and three  
6 months' operation?

7           A     Yes, that's included in the business plan  
8 that we submitted.

9           Q     And just by looking at the total business  
10 plan, which is the cost estimate portion, how prepared  
11 that cost estimate?

12           MR. HONIG: Objection. If there's a  
13 particular document that this is being asked about,  
14 could I asked that it be placed in front of the  
15 witness?

16           BY MR. WINSTON:

17           Q     Let the record show that I am placing a  
18 three-page document in front of the witness, consisting  
19 of a cover page and two pages of text with blacked out  
20 portions, indicating -- appearing to indicate that  
21 sections have been redacted.

22           Mr. Matthews, is that the cost estimate that  
23 was prepared on behalf of Peaches Broadcast Limited?

24           A     Yes, it is.

25           Q     Who prepared that cost estimate, sir?

1           A     This particular sheet was prepared by  
2 counsel.

3           Q     This particular sheet, meaning the two pages?

4           A     Yes.

5           Q     And, did you have any involvement in the  
6 preparation of that?

7           A     Yes, I did.

8           Q     What was your involvement, sir?

9           A     Researching the figures and input on some of  
10 them. The figures -- let me back up a second -- in  
11 second A, which has to do with broadcast equipment, of  
12 course, that was prepared -- because this has to do  
13 with three months operations without revenue -- that,  
14 of course, was extracted from the information provided  
15 by the engineer for our application.

16                     And, of course, this is prorated to that  
17 three month time period. So, that has to do with the  
18 equipment in the station taken from the information  
19 that they supplied. We retained them to handle that  
20 end of the operation. They did so and so this is taken  
21 from that.

22           Q     What engineer would that be?

23           A     That would be Lechman and Johnson.

24           Q     Lechman and Johnson?

25           A     Yes. And, of course, that extends through C



1 and of course, in D, other services and equipment, were  
2 things that we looked at between counsel and I. I  
3 don't know precisely. I think the categories are  
4 pretty standard categories. Of course, working on the  
5 figures jointly. We researched exactly what it would  
6 be running in Jacksonville, in terms of electric  
7 service, telephone installation, that sort of thing.

8 Wire service, new service, those figures are  
9 relatively standard. But the basic -- as we have done  
10 throughout the entire document, counsel was charged  
11 with providing for us the skeleton from which to work  
12 in and we developed it.

13 Q Now, there are a number of black marks on  
14 those two pages. Is that -- do those black marks cover  
15 up dollar amounts that were previously on that page, on  
16 those two pages?

17 A Yes, I have to assume that they do, yes.

18 Q Referring to that cost estimate we were just  
19 talking about, Mr. Matthews, did Mrs. Matthews have any  
20 involvement in the preparation of that document?

21 A Yes, she did.

22 Q What was her involvement?

23 A Being aware of the process of what we were  
24 doing and understanding the equipment costs and those  
25 areas that she might not necessarily be familiar with.

1           Q     Let me now place in front of you, Mr.  
2     Matthews, a two-page document entitled annual staffing  
3     costs. It's a cover page and one page.

4                     Are you familiar with that document, sir?

5           A     Yes, I am.

6           Q     And did you have any involvement in the  
7     preparation of that document?

8           A     Yes, I did.

9           Q     What was your involvement here, sir?

10          A     Again, here, dealing with the basic  
11     categories, doing some research on it from our side,  
12     looking over all the kinds of stations that we wanted  
13     to have and of course, giving counsel instructions as  
14     to basically how to put that together for the business  
15     plan. This is another business plan document.

16          Q     Did counsel, Mr. Honig, provide you with  
17     drafts of that document to work from?

18          A     I believe that he did, yes. His instructions  
19     were to do that throughout.

20          Q     Okay. Did Mrs. Matthews have any involvement  
21     in the preparation of your annual staffing costs?

22          A     Yes, she did.

23          Q     What was her involvement?

24          A     Particularly concerned, obviously, with the  
25     programming area of it, program director, the

1       announcing end of it, that sort of thing.

2               Q     And what did she do with respect to those  
3       items?

4               A     She reviewed it and those areas that we  
5       discussed, as to what we wanted to do, what need may we  
6       have for a particular number of personnel in a  
7       particular area, what obviously would be the duties of  
8       that person; and on that particular sheet, that  
9       person's duties in relationship to the salary.

10              Q     Now, the first document we went over, the  
11       estimate of costs for construction and the operation  
12       for three months without revenue.

13                     When was that document prepared?

14              A     That's an 1989 document, so I'm sure that  
15       that document was prepared somewhere around October of  
16       that year.

17              Q     With respect to the document entitled  
18       staffing, when was that document prepared?

19              A     Same time frame.

20              Q     Peaches Broadcast Limited will receive a loan  
21       from CBC Capital Corporation, is that correct?

22              A     That's correct.

23              Q     Does CBC Capital Corporation have other media  
24       interests? Does CBC Capital Corporation own media  
25       interests?

1                   MR. HONIG: Objection. Legal term of art too  
2 vague as stated.

3                   JUDGE LUTON: Overruled.

4                   THE WITNESS: I don't know if they own other  
5 media interests.

6                   BY MR. WINSTON:

7                   Q     Have you been provided by -- let me back up -  
8 - I'd like to have marked as Northeast Florida Exhibit  
9 number 7, I believe, Your Honor, a one-page document.  
10 I don't have copies, Your Honor, but I'll show it to  
11 Your Honor and the witness.

12                   JUDGE LUTON: I don't need to see it.

13                                 (The document referred to  
14 above was marked Northeast  
15 Florida Exhibit No. 7 for  
16 identification.)

17                   BY MR. WINSTON:

18                   Q     I'm placing before the witness a one-page  
19 document that has been marked as Northeast Florida  
20 Exhibit 7, a memorandum from -- it's identified as  
21 Cleve/CBC to David Honig, Esquire, re: Broadcast  
22 Interests, dated and there's a typed date and then  
23 there's a hand-written date, 10/3/89 and the initials  
24 DH beside that.

25                   Have you ever seen this document before, Mr.

1 Matthews?

2 A Yes, I have.

3 Q And, when do you recall first seeing that  
4 document?

5 A We saw this the same time that we received  
6 documents -- I'm sure in October 1989 -- from CBC.

7 Q Have you ever discussed the content of that  
8 document with Mr. Cleve at CBC?

9 A No.

10 MR. HONIG: Objection. I don't understand  
11 the relevance of this. Perhaps counsel can enlighten  
12 me. CBC is not an investor. There's no foundation for  
13 this line of questioning.

14 JUDGE LUTON: You want to respond?

15 MR. WINSTON: Your Honor, the document  
16 indicates that CBC has taken ownership interests in  
17 other broadcast stations. It may be relevant as to the  
18 diversification issue here.

19 MR. HONIG: I would have to reiterate the  
20 objection. There's been no --

21 JUDGE LUTON: Sustained.

22 MR. WINSTON: Your Honor, I think I'm through  
23 with this witness.

24 JUDGE LUTON: Additional cross, Mr. Halagao?

25 MR. HALAGAO: I have a couple of questions,

1 Your Honor.

2 CROSS EXAMINATION

3 BY MR. HALAGAO:

4 Q Mr. Matthews, the limited partner now, you  
5 testified that they have the contribution of \$15,000,  
6 is that correct?

7 A That's correct.

8 Q This \$15,000, was it paid directly to the  
9 partnership, Peaches Broadcasting Partnership?

10 A It was put into -- initially, when we were  
11 bringing UCI in, it was paid to the partnership by way  
12 of an escrow account.

13 Q And there was a -- you testified in your  
14 deposition sometime in June that Mr. Wiseman, who was  
15 the original limited partner, Peaches Limited  
16 Partnership bought his interest, Mr. Wiseman's  
17 interest, is that correct?

18 A I'm sorry, I don't understand the question.

19 Q The original ownership or participation of  
20 Mr. Wiseman was purchased by the limited partnership  
21 itself. Is that correct?

22 A Mr. Wiseman sold his shares back to Peaches  
23 Broadcasting, and his shares were purchased by UCI.  
24 That's how the transaction took place.

25 Q So UCI paid directly to Mr. Wiseman, to did

1           it pay the partnership?

2           A     They paid the partnership. UCI paid the  
3           partnership and purchased 15 shares of Peaches  
4           Broadcasting for UCI.

5           Q     I read somewhere in your deposition that it  
6           was paid directly to Mr. Wiseman through your counsel,  
7           so now are you testifying that it was paid directly to  
8           the partnership?

9           A     No, but what you just said is what I said in  
10          the beginning. It was paid to an escrow account and  
11          that was the way the transaction went. UCI was  
12          purchasing, and I think we have supporting documents  
13          for that -- UCI purchased 15 units of Peaches  
14          Broadcasting.

15                 At the same time, Mr. Wiseman sold his 15  
16          units to Peaches Broadcasting. For benefit of the  
17          transaction, this was what we relied on counsel's  
18          advice for, the best way to handle it was through an  
19          escrow account.

20          Q     Okay. So the \$15,000 that was paid by UCI  
21          did not go to your partnership? That's what my  
22          question is.

23          A     Technically, no.

24          Q     Are there additional contributions from UCI  
25          at this time?

1 A No.

2 Q Are there additional loans from UCI?

3 MR. HONIG: Asked and answered, Your Honor.

4 JUDGE LUTON: Overruled.

5 THE WITNESS: Beyond their capital, their  
6 initial capital contribution? Yes, they have made  
7 loans.

8 BY MR. HALAGAO:

9 Q Do you know how much the --

10 A Again, I think I indicated it was maybe in  
11 the range of approximately \$25,000. I haven't taken a  
12 tally as of this morning.

13 Q In your application, Mr. Matthews, you  
14 indicated that Mr. Wiseman is going to contribute  
15 \$65,000 to prosecute the application. Is that correct?

16 A That's correct.

17 Q But, you also testified that only \$15,000 was  
18 paid or contributed by Mr. Wiseman to the partnership  
19 after the time that he left the partnership. Is that  
20 correct?

21 A That's correct.

22 Q So when you filed the application, what --  
23 the \$65,000 represents -- were you intending to get a  
24 loan or is that \$65,000 a committed assurance of  
25 expense on the part of Mr. Wiseman at that time?



1                   MR. HONIG: I would object. I don't  
2 understand the relevancy of the question. Perhaps  
3 counsel can enlighten us.

4                   JUDGE LUTON: Overruled.

5                   THE WITNESS: The \$65,000, I think the term  
6 you used was assurance. I believe that if I'm  
7 understanding you correctly, his initial contribution  
8 was as per the agreement he purchased the 15 units.  
9 The prosecution costs were part of what we estimated  
10 the costs --

11                  Q     I would like to repeat my question. When you  
12 filed your application, you stated the permission that  
13 Mr. Wiseman had committed \$65,000 to prosecute the  
14 application.

15                   But up to the time that Mr. Wiseman left the  
16 partnership, he only contributed \$15,000.

17                  A     Well, our agreement provided --

18                   JUDGE LUTON: Let's hear the whole question.

19                   BY MR. HALAGAO:

20                  Q     What I'm trying to say is the \$65,000  
21 commitment that you certified to the Commission, I'm  
22 just trying to see how much came in and you said  
23 \$15,000. Is that correct? Up to the time that he left  
24 the partnership?

25                  A     Yes, he had put in \$15,000.